

SENATE BILL REPORT

SB 5773

As of February 23, 2011

Title: An act relating to making a health savings account option and high deductible health plan available to public employees.

Brief Description: Making a health savings account option and high deductible health plan available to public employees.

Sponsors: Senators Zarelli, Baumgartner, Hill, Parlette, Schoesler, Ericksen and Holmquist Newbry.

Brief History:

Committee Activity: Ways & Means: 2/22/11.

SENATE COMMITTEE ON WAYS & MEANS

Staff: Erik Sund (786-7454)

Background: In 2003 Congress enacted section 223 of the Medicare Modernization Act which allows people to establish health savings accounts (HSAs) to work in combination with qualifying high-deductible health plans (HDHP) to help finance medical expenses. A health plan qualifies as an HDHP if it has an annual deductible of at least \$1,200 for individuals and annual out-of-pocket expenses (not premiums) that do not exceed \$5,950. HSAs are tax-free accounts that can be set up by individuals or employers. They are personal accounts that are owned by individuals, even when employers establish and contribute to them. Interest earned is not taxed, and funds that are not used may carry over to the following year.

Under Chapter 299, Laws of 2006 (EHB 1383) the Health Care Authority (HCA) is directed to develop a Health Savings Account option for covered employees. A Health Savings Account option is not currently available to employees enrolled in HCA-administered health plans.

Summary of Bill: The Health Care Authority is directed to offer a high-deductible health plan with a health savings account as an option alongside its traditional comprehensive medical insurance offerings during the open enrollment period in November 2011 for the 2012 plan year.

This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not a part of the legislation nor does it constitute a statement of legislative intent.

Appropriation: None.

Fiscal Note: Available.

Committee/Commission/Task Force Created: No.

Effective Date: Ninety days after adjournment of session in which bill is passed.

Staff Summary of Public Testimony: CON: Rather than reducing medical care costs, high deductible health plans shift costs to plan participants. Younger and healthier workers will enroll in HSAs and older workers' insurance costs will be driven up by this adverse selection. This undermines the basic concepts of insurance. Instead, insurance coverage should focus on providing more coverage earlier rather than later. This is a better approach to saving money. The use of medical homes and other approaches will catch and prevent problems before hospitalization is required.

Persons Testifying: CON: Greg Devereux, Washington Federation of State Employees.